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Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Alex Sanchez

SUBJECT: SEE BELOW

DATE: March 27, 2001

Approved

Date

03.27.01

INFORMATION

SUBJECT: EXPENDITURE OF 20% SUPPLEMENT FUNDS FROM REDEVELOPMENT AGENCY AND PRODUCTION OF HOUSING FOR EXTREMELY LOW-INCOME HOUSEHOLDS

INTRODUCTION

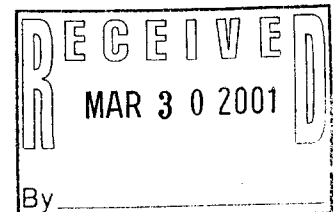
On January 16, 2001, the City Council accepted the report from the Mayor's Housing Production Team referred its recommendations to the City Administration. Two of the recommendations in that report were that the "existing \$25 million of 80% RDA funds to be directed to ELI permanent housing" and "direct Department of Housing to aggressively work with developers to use the \$25 million that is already allocated."

The City Council also adopted the Mayor's recommendation that an Informational Memo on this matter be sent to the City Council. Additionally, the ongoing status of these and all other Housing Production Team recommendations will be a standing item on the agenda of the monthly meetings of the Economic Development and Environment Committee.

BACKGROUND

The Redevelopment Agency's 1998-99 Capital Budget and the 1999-04 Capital Improvement Program (CIP), adopted by the Agency Board in October 1998, included a total of \$24,925,000 of affordable housing funding over and above the 20% set-aside mandated by State law. This funding is referred to as the "20% Supplement." As originally adopted, the timing of this funding was programmed as follows:

- | | |
|-----------|--------------|
| • 1998-99 | \$ 4,925,000 |
| • 1999-00 | \$10,000,000 |
| • 2000-03 | 0 |
| • 2003-04 | \$10,000,000 |



Subsequent CIPs adopted by the Redevelopment Agency Board rebudgeted \$4,525,000 to the 1999-00 Fiscal Year and \$10,000,000 to the 2000-01 Fiscal Year. The remaining \$10 million remains programmed for the 2003-04 Fiscal Year.

In September 1998, the City Council had already approved the use of \$400,000 of Redevelopment Agency funds to establish a pilot program of service-enriched rent subsidies for 15 homeless families and individuals. The funding for this program – entitled the Community Homeless Alliance Program (CHAP) – came from the 20% Supplement appropriation, and is expected to expire by March 2001.

In January and June 1999, the City Council directed the Housing Department to dedicate the remaining \$24,525,000 of 20% Supplement funds in the Agency Capital Improvement Program through 2003-04 to the production of housing affordable to extremely low-income (ELI) households. ELI households are those at or below 30% of area median income, by household size.

ANALYSIS

In the Redevelopment Agency's Capital Budgets for Fiscal Years 1999-01, there has been a total of \$14,925,000 set aside in the 20% Supplement appropriation. In addition to this amount, the Housing Department earned \$89,618 of interest on funds transferred from the Agency in October 1999 that were not immediately expended. Thus, there is a total of \$15,014,618 available for affordable housing programs to date.

An attachment details the commitments of 20% Supplement funds already made by the City Council plus the corresponding number of ELI units, by project. Several issues require some explanation:

- In the Creekview Inn and Pensione Esperanza projects, 22 ELI units were created prior to the ELI Housing/20% Supplement funding initiative.
- The affordability created by the CHAP rent subsidy program will have lasted less than 30 months, so the accounting shows no ELI units being created with this \$400,000 expenditure of 20% Supplement funds.
- The project on the former Las Plumas warehouse site and the HomeSafe/WATCH project will be transitional – not permanent – housing for families. That is, the housing will be affordable for the long term, but any one family's occupancy will be limited to a maximum of two years.

As shown in the attachment, the City Council has committed \$16.7 million (excluding the \$400,000 for the CHAP Program and \$720,422 for the Creekview and Pensione projects) for the construction of units affordable to ELI households. Thus, the City has already committed \$2.1 million more in funds for ELI housing units than is available to draw down from the Redevelopment Agency's 20% Supplement appropriation. Furthermore, Housing Department recommendations for an additional \$4.7 million of funding commitments for ELI units, currently

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pending, would raise to \$6.8 million that will be advanced from the Housing Department funds until such time as additional funding is available from the Redevelopment Agency.

The Mayor has proposed that an additional \$10 million be budgeted for the 20% Supplement in the Redevelopment Agency's upcoming five-year capital improvement program, bringing the total in that program to \$34.5 million since 1998. Furthermore, starting in July 2001, the Redevelopment Agency will begin reimbursing the Housing Department for units produced to satisfy the Agency's Downtown and Hellyer/Piercy replacement housing obligations. Since this money – conservatively estimated at \$8 million over the next few years – will be in the form of tax-exempt bond proceeds and must be granted (i.e., cannot be loaned), the Housing Department will be using the replacement housing funding to finance ELI units.

The Housing Production Team recommended that the 20% Supplement funds be used exclusively for the creation of permanent housing. The Housing Department does not believe that the funds should be so limited because it will reduce the City Council's flexibility to use the funds for non-permanent housing projects, such as the Las Plumas and HomeSafe transitional housing projects.

CONCLUSION

The City Council's direction to expend 20% Supplement Funds from the Redevelopment Agency for the production of housing affordable to ELI households is being implemented in a timely fashion.


ALEX SANCHEZ
Director of Housing

Attachment

**20% SUPPLEMENT FUNDS
AND
PRODUCTION OF E.L.I. UNITS**
January 31, 2001

I. Projects Approved by City Council

<u>Project Name</u>	<u>Project Type</u>	<u>Occupancy</u>	<u>Number of ELI Units</u>	<u>Funding from RDA 20% Supplement</u>	<u>Funding from 20% & HOME Funds</u>	<u>Comments</u>
Creekview Inn	SRO	Permanent	10		\$384,638	
Pensione Esperanza	SRO	Permanent	12		\$335,784	
CHAP	Rent Subsidy	n/a	0	\$400,000		
Las Plumas Site	Family	Transitional	50	\$3,360,000		
Purchase						
Northside	Seniors	Permanent	10		\$550,000	
Gadberry Court	Seniors	Permanent	5	\$450,000		
Betty Anne Gardens	Family	Permanent	8	\$934,370		
Tully Gardens I	SRO	Permanent	155	\$4,866,000		
Tully Gardens II	SRO	Permanent	147	\$3,322,321	\$458,679	
El Paseo Studios	SRO	Permanent	10	\$999,200		
Monte Vista Gardens I	Seniors	Permanent	7	\$682,727		
Girasol II	Seniors	Permanent	49	\$0	\$1,104,000	No long-term affordability created "Purchase" of warehouse site from City
SUBTOTAL			463	\$15,014,618	\$2,833,101	

20% SUPPLEMENT FUNDS
AND
PRODUCTION OF E.L.I. UNITS
 January 31, 2001

II. Projects to Be Recommended for Future City Council Approval

<u>Project Name</u>	<u>Project Type</u>	<u>Occupancy</u>	<u>Number of ELI Units</u>	<u>Amount of 20% Supplement Funds</u>	<u>Funding from 20% & HOME Funds</u>	<u>Comments</u>
HomeSafe/WATCH	Family	Transitional	24		\$2,250,000	Preliminary funding estimate
Las Plumas Housing Project	Family	Transitional	0		\$2,472,500	No additional units; more funding for const.
SUBTOTAL			24	\$0	\$4,722,500	

III. Summary

<u>TOTAL ACTIVITY TO DATE</u>	<u>Number of ELI Units</u>	<u>Total 20% Supplement Funding</u>	<u>Funding from 20% & HOME Funds</u>
	487	\$15,014,618	\$7,555,601

Uncommitted Redevelopment Funds Available Thru 2000-01	\$0
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Amount Being Advanced from 20% & HOME Funds	\$7,555,601
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